



THE ATLANTA ECONOMIC REVIEW

OCTOBER, 1955
VOL. V NO. 10

The Professional Concept in Insurance

By

KENNETH BLACK, JR.*

The progress of the vocation of insurance underwriting (life and property-casualty) toward a professional status is one of the most significant trends in the field of insurance. In an industry which is growing rapidly and is faced with many problems, one stabilizing factor is the slow but inevitable march of the insurance underwriter toward a professional status. The purpose of this paper is first to outline briefly the requirements which are necessary if a vocation is to attain the status of a profession and to examine the vocation of insurance underwriting in the light of these standards; second, to review the actual progress which has been made in this direction; and finally, to indicate the significance of this professional movement to the industry, underwriters, and the insuring public.¹

Standards of Professional Status

The Early Years

Educationally and professionally, most insurance home office departments—actuarial, legal, medical, investment, etc.—have met adequate standards for years. On the other hand the field producer, the aggressive, motivating link between the buying public and the home offices, received little educational attention prior to 1920. All the essential requirements of an effective educational program were non-existent. Industry, honesty, and aptitude to sell seemed to be the only required qualifications. Knowledge of subject matter and professional attitude, which can result only from knowledge of subject matter, were rarely emphasized. It was felt that since the contract was actuarially sound, only

salesmen as such were needed to distribute the definite service provided. Fitting the policy to the needs of a client, surveying, programming, estate analysis, and economic advisorship—in other words, life and property-casualty underwriting—were rarely alluded to and seemed generally to be regarded as superfluous.

With such thinking, field educational progress was difficult and slow in development. There were no usable text books on the collegiate level for the field underwriter or the public, as there were for the actuary and the insurance lawyer. Reasonably good pioneering textbooks along economic lines in life insurance did not appear until about the middle of the second decade of the century. Property and casualty texts appeared somewhat earlier, but even in these fields, they were not particularly effective. There were no cooperating universities and colleges, and organized collegiate education for insurance personnel and the layman began as late as 1904-05. By 1910, there were only about 20 organized insurance courses in American universities and colleges, and by 1920, the number of courses had increased to only 62. Moreover, there were few teachers of insurance except for the very limited number who were self-made and not trained as they are today. The few cooperating universities in the early days had to develop their own teachers, who in turn had to develop, as best they could, the teaching text material needed for their classes.

Notwithstanding this slow beginning, the insurance industry, and particularly the life insurance business, since 1925 has gained speed at an increasing rate in educational training for the field underwriter and the public as well. With the advent of the idea that life underwriting was inherently a profession, tremendous changes have been wrought in the necessity for and the role of education for the life underwriter. The present pace has been sufficient for one speaker to term it an

*Dr. Black who is a Chartered Property Casualty Underwriter (C. P. C. U.) is chairman of the Division of Insurance, School of Business Administration, The State College of Business Administration, Atlanta, Georgia.

¹ For an excellent review of the professional movement in the life insurance field, see S. S. Huebner, *The Professional Concept in Life Underwriting*, The American College of Life Underwriters, Philadelphia, 1952.

"educational revolution." The comparable movement for the property-casualty field came somewhat later, but is making big strides today as will be indicated below.

What is a Profession?

In view of the impact of the "professional concept" on educational standards for people engaged in the insurance business, it might be well to pause and consider just what a profession is and its relationship to the vocation of insurance underwriting.

Dr. James Bryant Conant, former President of Harvard University, defined a profession as follows:

The difference between a trade and a profession is that the trader frankly carries on his business primarily for the sake of pecuniary gain while the members of a profession profess an art, their skill which they place at the public service for a remuneration, adequate or inadequate, but which is truly an end in itself. The professional man finds his highest rewards in his sense of mastery of his subject, in the absorbing interest of the pursuit of knowledge for its own sake, and in the contributions which, by reason of his attainments, he can make to the promotion of the general welfare.

Perhaps the most appropriate definition for our purpose is that offered by Dr. S. S. Heubner, former Professor of Insurance at the Wharton School of Finance and Commerce, of the University of Pennsylvania and President Emeritus of the American College of Life Underwriters. Dr. Heubner, having in mind the life underwriter, defines a "profession" as including four main ideas:²

1. That the vocation should be so essentially useful to society and so noble in its purpose as to inspire sufficient love of enthusiasm on the part of the practitioner to make it his life's work. One cannot regard highly the services of a professional man who looks upon his vocation as a side issue and who is not willing to devote to its practice his entire time and his best thought and energy.
2. That the vocation involves a science and in its practice an expert knowledge of that science.
3. That in applying this expert knowledge the practitioner should abandon the strictly selfish commercial view and ever keep in mind the advantage of the client. Conscientious and disinterested service—proper advice and guidance—is the very essence of professional conduct, and in the long run the best policy.
4. That the individual practitioner should possess a spirit of loyalty to his fellow practitioners, of helpfulness to the common cause that they all profess and should not allow any unprofessional acts to bring shame upon the entire profession.

Vocation of Insurance Underwriting a Profession?

As to its inherent usefulness and its necessity for the public welfare, everyone knows the contribution which life insurance makes to a widow and small children when Providence has called the breadwinner. Perhaps, Dr. Heubner's own words express this best: "The essential need for and nature of the service you render identifies life underwriting as one of the noblest of professions, along with the ministry, law, medicine and teaching . . . When the doctor fails to save the head of the family and when, should death occur, the pastor can only console, the life underwriter has the su-

preme satisfaction of continuing the earning capacity of the deceased and protecting dependents from want."

Thus, life insurance is concerned with the protection of the human life value as measured by the earning capacity of the individual. Property and casualty insurance is concerned with the protection of property values, both business and personal. In either case the indemnification for the destruction of a warehouse or a home may stand between a family and financial disaster. No one who has seen the miracle of insurance replenish a community demolished by a windstorm will ever question its inherent usefulness and its necessity for the public welfare.

Let us consider the second idea in the definition. Does insurance involve a science and does the practice of insurance underwriting require expert knowledge of that science? Few vocations require as much knowledge; e.g., understanding of the principles of rate-making, the operation of and necessity for reserves, financial statement analysis, the application of reinsurance, and other scientific features which make it possible for insurance to function. Moreover, to be competent as an advisor to clients, the insurance field underwriter, like the accountant or lawyer, must have familiarity with

ATLANTA ECONOMIC REVIEW

Published monthly by the

Division of Research, School of Business Administration

**THE STATE COLLEGE OF
BUSINESS ADMINISTRATION**

33 Gilmer Street, S. E., Atlanta, Ga.

School of Business Administration

George E. Manners, Dean

Division of Research

Paul H. Rigby, Ph.D., Director

William H. Wells, Editor and Statistician

Shirley Thompson, Secretary

Committee on Research

Paul H. Rigby, Chairman

Willis R. Knight

Harold L. Johnson

William T. Tucker

Kenneth Black, Jr.

Subscription to

ATLANTA ECONOMIC REVIEW

The ATLANTA ECONOMIC REVIEW is sent free of charge to anyone interested in receiving it. If you are not already on the mailing list and wish to receive the REVIEW regularly, please write to the Division of Research, The State College of Business Administration, Atlanta, Georgia.

² Ibid, p. 1.

other subjects that affect his clients—economics, engineering, accounting, government, psychology, sociology, taxation, commercial and insurance law, wills, trusts and estates, corporation finance, banking and credit, and investments. An understanding of these areas of knowledge is essential if the underwriter's thinking is to be on a parity with that of *all clients* with whom he associates and proposes to advise. More important than the knowledge itself, however, is the ability to integrate the several fields to provide a sound basis for servicing a client's needs.

The third concept in his definition, that the practitioner in a profession should first and foremost have in view the interests of his client, is emphasized in Dr. Conant's definition and needs no defense. It is the very essence of the professional relationship since the client admits his lack of knowledge and dependence when he consults the practitioner, who professes his expertness to serve. In this regard there is a parallel between the medical and life underwriting professions that is seldom noticed. An individual turns to his physician for the preservation of life and health; he turns to the life underwriter for the preservation and perpetuation of the *value* of these two priceless assets. In both professions, regardless of intent, the results of incorrect advice in many cases do not evidence themselves in time for correction. After a man dies it is too late to change the prescription for either medicine or the life insurance coverage. This same thing is true of property or casualty insurance; after the building has burned, it is too late to request appropriate coverage. It is the fact that the impact of incorrect advice is deferred until it is too late to modify the prescription or program, which makes a professional approach to insurance underwriting so essential.

The final section in this definition refers to the view that the practitioner should show loyalty to his fellow workers, be helpful to insurance as an institution and not allow any unprofessional act to disparage the "profession" of insurance underwriting.

Vocation Must Earn Professional Status

A vocation does not make a profession of itself overnight, or by mere declaration on the part of the practitioners. Rather, the process is evolutionary through the attainment of higher standards over a period of years. Recognition of a group as members of a profession is accorded by the public only *when it is earned*. When the overwhelming number of insurance underwriters adhere to professional standards, then the public will confer professional recognition on life and property and casualty underwriting.

The progress of vocations toward a professional status has followed essentially the same pattern.

Fifty years ago, a young man could prepare himself satisfactorily for the practice of law by reading law in an established lawyer's office, gradually gaining experience. All of us know the rigid requirements which a person must meet in order to enter the legal profession today. The advancement which the legal profession has made could not have taken place without the steady enhancement of the educational standards required of those desiring to enter it.

Similarly, the teaching profession has continuously raised the educational standards to be met in order to engage in the teaching profession. Twenty years ago a Masters degree opened the door to a college teaching job; today, the possession of a Ph.D. is rapidly becoming the minimum requirement.

The lesson that can be drawn from these two professions (and the same thing is true of medicine, accounting, the ministry, engineering, and any number of others) is clear. It means that as a vocation moves toward a professional status, competition between members of the vocation, as well as the demands of the public, result in a constant raising of the educational requirements for those who practice the vocation.

Basically, all of the well recognized professions have viewed their educational standards for their practitioners from the following three standpoints:

- (1) A substantial fund of knowledge, involving a considerable area of study initially and continued study thereafter to the end of the working life;

- (2) testing of the mastery of that knowledge by prescribed examinations of a comprehensive nature; and

- (3) integration of the program of study with the higher educational system of the nation on a collegiate level.

The trends in the evolution of the vocation of insurance underwriting towards a professional status, evidence a similar approach. The most important milestone in the path taken by the life underwriters was the incorporation of the American College of Life Underwriters in 1927, with the blessings of the National Association of Life Underwriters. Although the early road was rocky, the American College succeeded in establishing an educational standard for the profession of life underwriting, and the award, on the basis of examinations, of the professional designation of Chartered Life Underwriter (C.L.U.).

In 1942, a similar milestone was passed by the property and casualty underwriters with the incorporation of the American Institute for Property and Liability Underwriters, Inc. Again, high standards were established and have been maintained, and the American Institute, on the basis of national



AUGUST ATLANTA AREA ECONOMIC INDICATORS

ITEM	August 1955	July 1955	% Change	August 1954	% Change
EMPLOYMENT					
Job Insurance (Unemployment)					
Payments -----	\$233,718	\$235,139	-0.6	\$364,987	-36.0
Job Insurance Claimants† -----	4,001	4,119	-2.9	5,840	-31.5
Total Non-Agricultural Employment -----	317,550	315,050*	+0.8	293,450	+8.2
Manufacturing Employment -----	89,000	87,900	+1.3	78,550	+13.3
Average Weekly Earnings,					
Factory Workers -----	\$68.28	\$71.72	-4.8	\$62.80	+8.7
Average Weekly Hours,					
Factory Workers -----	40.4	41.7	-3.1	40.0	+1.0
Number Help Wanted Ads -----	11,220	9,391	+19.5	7,252	+54.7
CONSTRUCTION					
Number of Building Permits,					
City of Atlanta -----	1,044	855	+22.1	853	+22.4
Value Building Permits,					
City of Atlanta -----	\$10,833,409	\$7,359,233	+47.2	\$5,308,246	+104.1
Employees in Contract Construction -----	21,450	20,550	+4.4	13,200	+62.5
FINANCIAL					
Bank Debits (Millions) -----	\$1,546.8	\$1,365.5	+13.3	\$1,263.8	+22.4
Total Deposits (Millions)					
(Last Wednesday) -----	\$1,047.3	\$1,034.0	+1.3	\$990.9	+5.7
POSTAL§					
Postal Receipts -----	\$1,487,292	\$1,180,842	+26.0	\$1,386,065	+7.3
Poundage 2nd Class Mail -----	1,277,119	1,367,068	-6.6	1,252,920	+1.9
OTHER					
Department Store Sales Index					
(Adjusted) (1947-49=100) -----	139	156	-10.9	122	+13.9
Retail Food Price Index					
(1947-49=100) -----	110.6	110.8	-0.2	114.8	-3.7
Number of Telephones in Service -----	263,880	261,051	+1.1	248,841	+6.0
Number of Local Calls per Day -----	1,823,914	1,823,914	0.0	1,735,672	+5.1

*Revised
†City of Atlanta only.

†Claimants include both the unemployed and those with job attachments, but working short hours.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales and Stocks Indexes: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.



JANUARY THROUGH AUGUST, 1954 and 1955

1955	1954	ITEM	% Change
75,197	52,673	Number Help Wanted Ads -----	+42.8
19,144	15,031	No. Construction Employees* -----	+27.4
N.A.	N.A.	Department Store Stocks** -----	+16.0
\$11,201.8	\$9,991.9	Bank Debits (Millions) -----	+12.1
N.A.	N.A.	Department Store Sales, Based on Dollar Amounts** -----	+11.0
7,618	6,898	Number Building Permits, City of Atlanta -----	+10.4
85,725	78,013	No. Manufacturing Employees* -----	+9.9
11,022,517	10,203,099	Poundage 2nd Class Mail, Atlanta Post Office -----	+8.0
\$67.17	\$62.56	Average Weekly Earnings, Factory Workers* -----	+7.4
263,880	248,841	Telephones in Service** -----	+6.0
\$1,047.3	\$990.9	Total Deposits (Millions)** -----	+4.8
309,269	295,400	Total Non-Agricultural Employment* -----	+4.7
\$11,340,116	\$10,931,699	Postal Receipts, Atlanta Post Office -----	+3.7
40.6	39.7	Average Weekly Hours, Factory Workers* -----	+2.3
\$58,740,681	\$61,002,958†	Value Building Permits, City of Atlanta -----	-3.7
110.6	114.8	Retail Food Price Index (August) -----	-3.7
35,536	46,326	Job Insurance Claimants -----	-23.3

†Special ruling permitted construction of \$20,500,000 Grady Hospital addition without permit. If included, total above is \$81,502,958, and the change becomes minus 27.9%.

*Average Month
**End of Period
N.A.—Not Available
Sources: Same as Page 4

uniform examinations, awards the Chartered Property Casualty Underwriter (C.P.C.U.) designation to successful candidates who meet the other standards set forth. Thus, the insurance underwriters were following the path of the older professions in requiring high level examinations testing mastery of the prescribed areas of study and levels of knowledge.

Progress of Professional Movement

The movement of the vocation of insurance underwriting toward a professional status has made substantial progress. As of October, 1955, there were about 5,000 individuals holding the C.L.U. or C.P.C.U. designations. This, however, gives recognition only to those underwriters who have completed the entire program. The interest in and scope of the professional movement in insurance is probably better illustrated by the fact that a much larger group of persons have passed one or more of these national examinations. In time a large majority of these individuals will undoubtedly receive their designation, thus increasing greatly the effectiveness of the professional movement in insurance. As Dr. S. S. Huebner said recently in a public address, "The past 25 years we have done the spade work; we will reap the harvest in the next twenty-five." There can be little doubt that this movement will become increasingly significant to the insurance industry, the underwriters and the insuring public.

Significance of Professional Movement

Industry

A continuing high rate of development and expansion of business and industry is expected in this country, and this should continue to provide a fertile field for the expansion and further utilization of the services of the insurance industry. The success with which the insurance industry provides security and serves the essential needs of an expanding economy will, in the main, depend on the abilities, training and energies of the agency force—the life and property-casualty field underwriters. From an overall standpoint the growth and progress of the insurance industry depend on four vital factors:

- (1) soundly managed insurance companies, with ever improving contracts;
- (2) a well and widely educated public market in which the buyers are conversant with the services of insurance and desirous of having these services;
- (3) thoroughly educated and professionally career-minded insurance underwriters; and
- (4) a full and creative status of insurance in the nation's educational system—on both the collegiate and high school level.

These four vital factors depend essentially upon education—education of both the public and

the underwriters. And education, when combined with industry and professional conduct, is the principal gateway to an ever expanding field of services provided by the insurance industry.³

Underwriters

The insurance underwriter in attempting to arrange a sound insurance program is faced today with extreme competition both within and without the insurance industry. The life underwriter, for example, must compete with investment programs of saving and loan associations, mutual investment funds, and other forms of savings plans as well as with life insurance field men of varying degrees of skill. In addition, the natural inclination to purchase immediate services or consumer goods must be overcome in order to place an adequate program. The TV set is often the most virile competitor faced by an underwriter.

The skilled property-casualty underwriter is faced with competition from representatives of a host of insurers, some employing the agency system—some not, part-time representatives, mortgage and loan institutions, real estate firms, and so forth. Attempts are even being made to merchandise insurance in department stores. To say that competition in the insurance field is strong is a major understatement.

On the other hand, no one would question the fact that competition is good for the industry and the underwriter. But it does place a premium on knowledge, and more important, a professional attitude, and therein lies the importance of the C.L.U. and C.P.C.U. programs.

To attain the professional designation, Chartered Life Underwriter (C.L.U.) or Chartered Property Casualty Underwriter (C.P.C.U.), a candidate must meet certain requirements with regard to prerequisite education, experience and character, and must pass five comprehensive college-level examinations in subjects that enable him to better serve his clients. The examinations are given each June by the American College of Life Underwriters and the American Institute for Property and Liability Underwriters, Inc., in university centers scattered over the country and "are designed to test the candidate's ability to apply his learning."

The candidates may prepare for these examinations by attending a university or other school offering an adequate program, by attending special review classes (in the candidate's own community) sponsored by the local C.P.C.U. and/or C.L.U. Chapters or by studying independently. Because of the lack of success of those attempting the latter course, few candidates attempt to prepare by private study alone. The American College and American Institute do not give any courses, but rather they encourage sound insurance education through existing colleges and universities. From the stand-

³ See S. S. Huebner, "Expanding Harvests," Conferment Address, American College of Life Underwriters, Cleveland, Ohio, August 26, 1953.

point of the C.L.U. or C.P.C.U. candidate, the College and/or Institute is primarily a national examining or certifying board. When the candidate has passed his five examinations, met the experience and other professional requirements, the C.L.U. or C.P.C.U. designation is conferred upon him by the appropriate body. He receives his diploma and is privileged to wear the C.L.U. or C.P.C.U. key and employ the designation in a dignified, professional manner similar to that used by the Certified Public Accountant (C.P.A.).

From the standpoint of educational and professional accomplishment, the C.L.U. and C.P.C.U. designations represent the pinnacle of achievement in the insurance business. For the young man or woman entering the insurance business on a career basis, not to pursue work toward the C.L.U. or C.P.C.U. designation would appear to be short-sighted. The designation may not be an essential to success in the business today, but if the development of the accounting profession is any indication, it will not be too many years before it will be a major factor. There are competent public accountants today who are not certified, but the great majority of businessmen today are disinclined to accept an audit report unless it is signed by a C.P.A. It would appear that the day could come when businessmen and the public generally will insist that an insurance program be signed by a C.L.U. or C.P.C.U. before they will accept it. It is for this reason that the professional designation is of great significance for those who enter the insurance field on a career basis.

Public

What do these designations mean to the consumer of insurance service? In answering this question it might be well to recall the definition of a profession presented earlier in this paper. One fundamental point was that the practitioner could hardly render a truly professional service if he looked on his vocation as a side line—if he is not willing to devote *his entire time and his best thought and energy* to the service of his clients. The standards established for a candidate to receive the C.L.U. or C.P.C.U. designation have been maintained at a high level. Consequently only an individual who devotes his full time to the insurance field would normally be willing to undertake the program of study necessary to pass the national examinations. In addition, the minimum experience requirements would limit the chances of the so-called "part-timers" to receive either of the designations.

The second basic point indicated in the definition was the necessity for a high level of knowledge

in the practice of the vocation, i.e., insurance counseling. Again the high level of knowledge required to pass the uniform national examinations gives reasonable assurance that the holder of the C.L.U. or C.P.C.U. designation has the education and understanding of insurance knowledge which is essential to advising and generally servicing the insuring public.

Finally, the very essence of the professional concept is embodied in the pledge taken by every individual who is awarded the C.L.U. designation:

I shall, in the light of all the circumstances surrounding my client, which I shall make every conscientious effort to ascertain and to understand, give him that service which, had I been in the same circumstances, I would have applied to myself.

A similar pledge is taken by those candidates who receive the C.P.C.U. designation. Such a pledge, if faithfully carried out, represents the real value of the C.L.U. or C.P.C.U. designation to the insuring public. As in the other professions—medical, legal or other—not every individual lives up to the ethical standards implied therein. The majority of the members of a profession, however, are conscientious and sincere in their efforts to serve their clients in a truly professional manner. Such a pledge, of course, takes on real meaning only if the individual has the knowledge and skill necessary to be able to make intelligent recommendations—no matter how sincere he may be. Without such knowledge, the professional charge is meaningless.

All this does not mean, however, that a C.L.U. or a C.P.C.U. is *necessarily* a better insurance man or more professionally minded than those who do not hold the designation. It does mean that (1) any given underwriter will be a better underwriter than he was before he began the study necessary to achieve the C.L.U. or C.P.C.U. designations, (2) there is a basic and recognizable standard represented in the designation and (3) in consequence of these two points, a greater measure of reliance may be placed by the buyer upon the ethics and skills of the underwriter who holds the designation.

On October 11, 1955, Atlanta will be honored with the first conferment proceedings to be held in the Southeast by the American Institute for Property and Liability Underwriters Incorporated. Dr. Harry J. Loman, Dean of the American Institute, will be the principal speaker and will confer the C.P.C.U. designation on those individuals who have been awarded this distinction during 1955.

—Editor

**The State College of
Business Administration
33 Gilmer St., S. E.
Atlanta 3, Georgia**

RETURN POSTAGE GUARANTEED

Sec. 34.65e, P. L. & R.

**U. S. POSTAGE
PAID**

Atlanta, Georgia
Permit No. 152